

Message Text

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ORIGIN STR-02

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TO AMEMBASSY BRUSSELS PRIORITY
INFO USMISSION GENEVA PRIORITY

C O N F I D E N T I A L STATE 213382

LIMDIS BRUSSELS FOR USEEC, GENEVA FOR USMTN

E.O. 11652:

TAGS: ETRD, MTN

SUBJECT: US/EC CONSULTATIONS ON MTN

1. PLEASE DELIVER THE FOLLOWING NOTE FROM AMBASSADOR ALAN WOLFF, DEPUTY SPECIAL TRADE REPRESENTATIVE, TO SIR ROY DENMAN, DIRECTOR GENERAL FOR EXTERNAL RELATIONS, COMMISSION OF THE EUROPEAN COMMUNITY. BEGIN TEXT:

2. DEAR ROY:

I WOULD LIKE TO TAKE THIS OPPORTUNITY OF MY RETURN FROM A BIT OF VACATION TO REVIEW WITH YOU WHERE WE STAND AND WHERE WE GO FROM HERE.

THE NEXT FEW WEEKS ARE GOING TO BE CRITICAL FOR GETTING OUR WORK ON THE MTN OFF TO A GOOD START, AND I AND MY COL-
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LEAGUES IN STR PLAN TO DO EVERYTHING WE CAN TO ACHIEVE SOME CONCRETE RESULTS DURING THIS PERIOD. I KNOW ALONZO MCDONALD HAS ALREADY TALKED TO YOU ABOUT HIS VISIT TO BRUSSELS DURING THE WEEK OF SEPTEMBER 12, AND YOU AND I HAVE PLANS TO GET TOGETHER ON SEPTEMBER 21. BOTH AL AND I LOOK FORWARD TO SOME RATHER SUBSTANTIVE DISCUSSIONS WITH YOU, PARTICULARLY ON THE TARIFF ISSUE. WE ARE CONFIDENT THAT

BY WORKING TOGETHER CLOSELY, IN THE SPIRIT OF THE PRE-VACATION PERIOD, WE WILL BE ABLE TO BREAK THE LOG JAM IN THESE NEGOTIATIONS AND ACHIEVE THE BASIS FOR AN INTERNATIONALLY AGREED TARIFF REDUCTION FORMULA.

BOB STRAUSS HAS SIMILARLY MADE PLANS TO VISIT EUROPE DURING THIS PERIOD, AS A FOLLOW-UP TO PAST COMMITMENTS TO VISIT VARIOUS CAPITALS. IN ORDER TO AVOID ANY AWKWARDNESS VIZ-A-VIZ THE COMMUNITY, HE PLANS TO VISIT THE COMMISSION ON SEPTEMBER 22, AND TO PROCEED FROM THERE TO ROME, BONN, AND PARIS. HE IS MOST DISAPPOINTED THAT YOU WILL NOT BE ABLE TO BE THERE ON THE 22ND, SINCE BOTH YOU AND I ARE CURRENTLY SCHEDULED TO BE ATTENDING THE G-18 MEETING IN GENEVA. IN FACT, HE WONDERED WHAT YOU THOUGHT THE POSSIBILITY MIGHT BE OF POSTPONING THE G-18 MEETING BY A DAY SO BOTH OF US COULD BE PRESENT DURING HIS CALLS AT THE COMMISSION. IN ANY CASE, HE VERY MUCH HOPES THAT YOUR DISCUSSIONS WITH AMBASSADOR MCDONALD AND MYSELF WILL HAVE BEEN SUFFICIENTLY PRODUCTIVE TO MAKE IT POSSIBLE TO ACHIEVE SOME CONCRETE AGREEMENTS ON THE TARIFF ISSUE DURING HIS VISIT ON THE 22ND.

I WOULD ALSO HOPE THAT YOU WILL HAVE SOME ADDITIONAL TIME AFTER THE CONCLUSION OF THE G-18 MEETING TO DISCUSS WITHIN A CIRCLE OF KEY COUNTRIES THE MANAGEMENT OF THE MTN. THIS SHOULD ALSO BE A SPLENDID OPPORTUNITY TO REVIEW WITH

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ALL THE KEY PLAYERS THE PROGRESS I AM CONFIDENT WE WILL HAVE MADE BY THAT TIME ON THE NEGOTIATION OF A TARIFF FORMULA.

TURNING TO THE SUBSTANCE OF THAT ISSUE, I SHOULD REPORT THAT WE HAVE GIVEN CAREFUL CONSIDERATION TO THE SUGGESTIONS YOU MADE AT THE TIDEWATER MEETING. WE HAVE THOROUGHLY DISCUSSED YOUR SUGGESTIONS, AMONG OURSELVES, IN THE CONTEXT OF A FULL APPRECIATION OF THE DIFFICULT PROBLEM YOU FACE IN OBTAINING ACCEPTANCE OF A SUBSTANTIAL TARIFF FORMULA, WHILE AVOIDING A COUNTERPRODUCTIVE EXCEPTIONS EXERCISE. OUR CONCLUSION IS THAT A SUBSTANTIAL TARIFF-CUTTING FORMULA SHOULD BE POSSIBLE AND IS INDEED CALLED FOR BY THE DOWNING STREET SUMMIT COMMUNIQUE AND THE EC MANDATE ITSELF. OUR OWN ASSESSMENT AND THAT OF OUR ADVISORS CONTINUES TO BE THAT TARIFF CUTS IN THE RANGE OF 20-25 PERCENT ARE HARDLY WORTH THE EFFORT. WE NEVERTHELESS RECOGNIZE THAT REALISM IS CALLED FOR, AND IN THIS SPIRIT I WOULD LIKE YOU TO CONSIDER A TARIFF CUTTING FORMULA OF $Y - 40 \text{ PLUS POINT FIVE } X$ (REPEAT FORTY PLUS POINT FIVE X) AND A COMMITMENT TO MAKE A CONCENTRATED EFFORT TO ELIMINATE ALL DUTIES IN CERTAIN SECTORS, WITH THE OVERALL GOAL OF A 50 PERCENT REDUCTION IN

DUTIES, BEFORE EXCEPTIONS. I SHOULD NOTE THAT THIS PROPOSAL IS WELL WITHIN THE RANGE OF THE EC MANDATE, WHICH I

UNDERSTAND CALLS FOR AN AVERAGE TARIFF CUT OF BETWEEN 25 AND 50 PERCENT.

ON THE QUESTION OF EXCEPTIONS, THERE IS AN IMPLICIT ASSUMPTION THAT ALL COUNTRIES WILL EXERCISE GREAT RESTRAINT IN ANY PROVISION FOR EXCEPTIONS. THIS PHRASE WAS INCLUDED IN THE CHAIRMAN'S SUMMING UP OF THE TARIFF GROUP MEETING IN MARCH 1976. THEREFORE, IT SHOULD BE POSSIBLE TO MEET THE CONCERNS YOU CITED IN JULY BY NOT MAKING ANY EXPLICIT MENTION OF THESE WORDS IN THE TARIFF PLAN, ON AN UNDERSTANDING OF THE CONTINUED VALIDITY OF THE CHAIRMAN'S

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SUMMING UP AT THE MARCH 1976 TARIFF GROUP MEETING. WE ON OUR OWN PART PLAN TO USE MAXIMUM SELF-RESTRAINT IN OUR APPROACH TO EXCEPTIONS. WE HOPE THAT YOU SUCCEED IN HOLDING TO A JANUARY 15 NO-EXCEPTIONS POSITION. RECIPROCITY WILL THEN HAVE TO BE ACHIEVED IN ONE MANNER OR ANOTHER. WE ASSUME, FINALLY, THERE IS NO DISAGREEMENT BETWEEN US ON THE BASIC PREMISE THAT SUBSTANTIAL RESULTS IN THE VARIOUS NTB NEGOTIATIONS IS A SINE QUA NON OF A SATISFACTORY OUTCOME TO THE TARIFF NEGOTIATIONS.

I LOOK FORWARD TO SEEING YOU ON SEPTEMBER 21 FOR A PRODUCTIVE SESSION. END OF TEXT.

3. WOULD SUGGEST THAT AMBASSADOR HINTON PURSUE ISSUES OUTLINED IN TEXT OF LETTER WITH DENMAN AND OTHER SENIOR COMMISSION OFFICIALS PRIOR TO MCDONALD VISIT. VANCE

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